

Message Text

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ACTION NEA-10

INFO OCT-01 ARA-06 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04

H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 FEA-01 ERDA-05 AID-05 CEA-01 CIEP-01

COME-00 EB-07 FPC-01 INT-05 OMB-01 SAM-01 OES-03

STR-04 TRSE-00 /110 W

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R 230905Z FEB 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4768

INFO AMEMBASSY ABU DHABI

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

WEMBASSY DOHA 698

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

USINT BAGHDAD

USMISSION OECD PARIS

C O N F I D E N T I A L KUWAIT 0915

E.O. 11652: GDS

TAGS: ENRG, KU

SUBJECT: KUWAIT OIL COMPANY TAKE-OVER: FINANCE AND
ECONOMIC COMMITTEE REPORT

REF: KUWAIT 823 (NOTAL)

1. BEGIN UNCLASSIFIED. REFTEL REPORTED THAT NATIONAL
ASSEMBLY FINANCE AND ECONOMIC AFFAIRS COMMITTEE
REPORTED KOC TAKE-OVER BILL FAVORABLY TO NATIONAL
ASSEMBLY. KUWAITI PAPERS PUBLISHED TEXT OF COMMITTEE'S
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REPORT FEBRUARY 20. COMMITTEE MADE EIGHT RECOMMENDA-

TIONS. THESE ARE: QUOTE

- A) FORMULATE AS SOON AS POSSIBLE A PLAN FOR INCREASING KUWAITI TECHNICAL PERSONNEL OF VARIOUS LEVELS.
- B) SAFEGUARD THE ACQUIRED RIGHTS OF EMPLOYEES AT THE KUWAIT OIL COMPANY.
- C) SEE TO THE CANCELLATION OF THE SPECIAL DISCOUNT GRANTED TO BP AND GULF OIL.
- D) PROVIDE SUFFICIENT GUARANTEES FOR INCREASING THE QUANTITIES OF OIL LIFTED BY KUWAITI TANKERS.
- E) RESTRICT PRODUCTION LEVELS TO THE AMOUNTS REQUIRED FOR PROVIDING FUNDS NECESSARY FOR THE COUNTRY'S PROJECTS.
- F) TAKE THE NECESSARY LEGAL MEASURES FOR NATIONALIZING AMINOIL AND AOC(JAPAN).
- G) SEE TO IT THAT FUTURE PRODUCTION EXPENSES WILL NOT BE AN EXCESS OF EXPENSES BEFORE NATIONAL TAKE-OVER.
- H) GIVE MORE SUPPORT TO OPEC AND SEE TO ITS CONTINUED SOLIDARITY. END QUOTE.

2. TWO ISSUES HAVE BEEN RAISED BY THE COMMITTEE'S REPORT, AND THEY HAVE BEEN COMMENTED UPON IN THE LOCAL PRESS. THE RECOMMENDATION THAT GULF AND BP'S 15 CENT PER BARREL DISCOUNT BE DISCONTINUED WILL BE VERY DIFFICULT FOR GOK TO ACCEPT, SINCE THIS WAS A CRUCIAL ELEMENT OF THE NEGOTIATIONS WITH THE COMPANIES. LOCAL PRESS HAS NOTED THAT THE TWO COMPANIES WILL NOT ACCEPT LOWER DISCOUNT LEVELS, SINCE THE DISCOUNT IS IN CONSIDERATION FOR "TECHNICAL ASSISTANCE" PROVIDED BY GULF AND BP IN KUWAIT.

3. SECOND ISSUE INVOLVES NATIONAL ASSEMBLY'S DETERMINATION TO MAINTAIN SOME CONTROL OVER KOC. GOK WANTS KOC TO BE TIED DIRECTLY TO THE GOVERNMENT, WITHOUT BEING SUBJECT TO ANY CONTROL BY THE NATIONAL ASSEMBLY, WHILE THE COMMITTEE WANTS PARLIAMENT TO HAVE A SAY IN THE BUDGET AND MANAGEMENT ACTIVITIES OF THE COMPANY AND, THEREBY, TO PARTIALLY CONTROL ITS OPERATIONS. IN COMMENTING ON THIS ISSUE, LOCAL PRESS CORRECTLY OBSERVES THAT NATIONAL ASSEMBLY IS MORE LIKELY TO AGREE WITH COMMITTEE RECOMMENDATIONS RATHER THAN GOK POSITION. END UNCLASSIFIED.

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4. BEGIN CONFIDENTIAL. COMMENT: NOW THAT TEXT OF COMMITTEE REPORT HAS BEEN MADE PUBLIC AND WE ABLE TO HAVE MORE PRECISE IDEA OF ITS SPECIFIC RECOMMENDATIONS, IT IS APPARENT COMMITTEE'S APPROVAL IS QUALIFIED. IF RECOMMENDATION REGARDING CANCELLATION OF GULF/BP SPECIAL DISCOUNT IS ACCEPTED, AGREEMENT BETWEEN COMPANIES AND GOK ALMOST CERTAINLY WILL COME APART. MOREOVER, WE

BELIEVE GOK WILL STRONGLY RESIST ATTEMPTS BY NATIONAL
ASSEMBLY TO EXERT ITS OWN CONTROL OVER KOC. GOK,
THEREFORE, NOW HAS THE TASK OF MAKING WHAT COULD BECOME
A MAJOR EFFORT TO HAVE NATIONAL ASSEMBLY APPROVE ITS
VERSION OF THE AGREEMENT. THIS WILL OCCUR AT A TIME
WHEN GOVERNMENT IS SEEKING AS MUCH AS \$4 BILLION IN
ADDITIONAL FUNDS FOR MILITARY AND HOUSING PROGRAMS.
AFTER RELATIVELY QUIET PERIOD FOLLOWING JANUARY 1975
ELECTIONS, GOK MAY NOW FIND ITSELF IN MIDST OF INTENSIVE
POLITICAL MANEUVERING OVER KEY ISSUES AND PROGRAMS IN
NATIONAL ASSEMBLY.

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